



# County of Los Angeles CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN  
Chief Administrative Officer

August 7, 2003

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE BRATHWAITE BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

To: Supervisor Yvonne Brathwaite Burke, Chair  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich  
From: David E. Janssen  
Chief Administrative Officer

## FEDERAL LEGISLATIVE UPDATE

Last week, the Senate recessed and will return on September 2, 2003. When Congress returns, it will face an October 1, 2003 deadline to complete all 13 Federal Fiscal Year (FFY) 2004 appropriations bills. The House has passed 11 of the bills leaving only the Transportation and District of Columbia appropriations bills to be considered, while the Senate has passed only four bills, including the Homeland Security appropriations bill, which is pending conference committee action.

Senate Majority Leader Frist (R-TN) intends to have the Senate spend most of September on the appropriations bills. He has asked that the bill funding Labor and Health and Human Services programs be the first one considered after the recess. As with past years, it is expected that Congress will need to adopt a number of short-term continuing resolutions in order to fund those Federal programs and agencies that do not have an enacted FFY 2004 appropriations bill.

### Veterans Affairs (VA)/Housing and Urban Development (HUD) Appropriations Bill

On July 25, 2003, the House passed its FFY 2004 VA/HUD appropriations bill (H.R. 2861). Funding of County interest in the bill includes:

- \$4.54 billion for Community Development Block Grant (CDBG) formula grants, which is \$199 million more than in FFY 2003.

- \$1.88 billion for the HOME Investment Partnership Program formula grants, which is \$7 million more than in FFY 2003;
- \$1.242 billion for homeless assistance, including full funding for Shelter Plus Care renewals, which is \$25 million more than in FFY 2003. The bill includes language requiring at least 30% of all homeless funds be used for permanent housing, a 25% match for services from funding recipients, and the coordination of homeless programs with mainstream health, mental health, social services, and employment programs;
- \$18.58 billion for Section 8 housing of which \$4.2 billion would not be available until October 1, 2004. The Committee did not fund the Administration's budget proposal to replace Section 9 with a new Housing Assistance for Needy Families (HANF) Block Grant to states;
- \$3.6 billion for the Public Housing Operating Fund, which is \$23 million more than in FFY 2003;
- \$2.71 billion for the Public Housing Capital Fund, the same as in FFY 2003;
- \$302 million for Housing Opportunities for Persons with AIDS, which is \$10 million more than in FFY 2003; and'
- \$450,000 in CDBG funds for Los Angeles County for the construction of a new library at the request of Representative Dreier, who supports funding for a replacement building for the County's La Crescenta Library.

The Senate has yet to take action on its version of the VA/HUD appropriations bill.

#### **State Children's Health Insurance Program (SCHIP)**

On July 31, 2003, under unanimous consent, the Senate adopted the H.R. 2854, a House-passed bill which would allow states to retain an estimated \$2.7 billion in Federal Fiscal Years (FFYs) 1998-2001 SCHIP funds not spent within the current statutory three-year time limits. Without such legislation, the unspent funds revert to the U.S. Treasury. The bill would benefit California by allowing the State to retain through September 30, 2004 \$372.6 million in FFY 2000 SCHIP funds that were not spent by the end of FFY 2002. The State also would be allowed to retain through September 30, 2005 half of its FFY 2001 SCHIP allotment that will not be spent by the end of FFY 2003.

### **Medicare Prescription Drug Bill**

Before recessing, House and Senate conferees met once to consider the Medicare prescription drug bill (H.R. 1/S.1). Senate Majority Leader Frist (R-TN) has set a goal of the end of September for completing negotiations. As reported to your Board, the County supports House language to increase annual Medicaid Disproportionate Share Hospital (DSH) allotments to states by 20% beginning in FFY 2004. Attached is bipartisan letter to conferees, signed by 37 Senators, including Senators Feinstein and Boxer, supporting this House DSH language. The County also supports Senate provisions to provide funding for reimbursement of undocumented immigrant emergency health costs and to allow states to extend Medicaid and SCHIP eligibility to certain legal immigrant pregnant women, and children.

Both Senate and House bills also include language clarifying that inpatient drug prices charged to public hospitals are included under the "best price" exemptions under the Medicaid drug rebate program. The Centers for Medicare and Medicaid Services has interpreted current law as only applying to outpatient drugs purchased by public hospitals. The County's Department of Health Services estimates that it could save \$4.5 million to \$6.5 million a year if it were able to purchase inpatient drugs at the lowest price offered by pharmaceutical manufacturers, as provided under the Medicaid drug rebate program. This provision also is consistent with existing Board policy to support proposals to allow public hospitals to access discounted pharmaceutical pricing schedules available to the Federal government.

### **S. 930 (Inhofe, R-OK): First Responder Grants**

On July 30, 2003, the Senate Environment and Public Works Committee amended and approved S. 930, the Emergency Preparedness and Response Act of 2003, which includes language authorizing first responder formula grants to states. As approved by the Committee, the bill's first responder grant provisions would:

- Require states to submit and receive approval from the Secretary of Homeland Security of a three-year homeland security plan, which includes a strategy for setting priorities for the allocation of funds to political subdivisions, before receiving first responder grant funds. To the extent that it will take time to prepare, submit, and receive Federal approval of the three-year plan, this requirement could delay the availability and use of needed first responder grant funds;
- Provide that grant funds may be used for communications equipment, training, preparedness and response plans and exercises, mutual aid agreements, the development, construction, or upgrading of training facilities and emergency operating centers, and first responder personnel overtime costs relating to training or heightened terrorist threat levels;

- Allocate the greater of \$15 million or 0.75% of total funding to each state and allocate remaining funds based on high-threat areas and other vulnerability criteria established by the Secretary of Homeland Security. A \$15 million state allotment would represent 0.86% of the \$1.75 billion appropriated for state homeland security formula grants in the Senate-passed FFY 2004 Homeland Security appropriations bill. If total funding is \$1.75 billion, after \$750 million is used to provide \$15 million to each state, California would have to receive 19.5% of all remaining funds in order to receive the national average amount of funding per capita;
- Require states to pass through at least 80% of their allotments to local governments;
- Require the Secretary to allocate 10% of total funding directly to local governments recommended by Governors, except that the Secretary may award funds to a local government not nominated by a Governor under extraordinary circumstances or if a Governor fails to submit recommendations in a timely manner. It is not clear whether these direct local grants are intended to replace the existing high-threat urban area grant program, which accounted for 30% of total FFY 2003 homeland security grant funding;
- Limit the Federal share of eligible costs paid by grant funds to 75%, except that the Federal share would be increased to at least 90% for grant recipients determined to be "economically distressed" by the Secretary. The bill does not specify how the Secretary would determine if a grantee is economically distressed; and
- Require a state to ensure that total state and local expenditures on allowable uses will be no less than the average annual level in the prior two fiscal years as a condition for receipt of grant funds. When combined with the non-Federal match requirement, this maintenance-of-effort (MOE) requirement could prevent states and localities with budget shortfalls from accessing Federal first responder funds.

The outlook for this bill is uncertain. For one, it is unclear which Senate committee has jurisdiction over homeland security grant funding. As reported by your Board, the Senate Governmental Affairs Committee passed a competing homeland security grant bill (S. 1245, Collins, R-ME) in June. Moreover, authorizing legislation does not need to be enacted in order for first responder or homeland security grant funds to be available in the coming fiscal year.

#### **S. 1015 (Gregg, R-NH): Mosquito Abatement for Safety and Health Act**

On July 25, 2003, the House passed S. 1015, which would establish a grant program to assist local agencies in controlling mosquitoes and preventing mosquito-borne diseases, particularly the spread of the West Nile virus. S. 1015 is a companion bill to H.R. 342 (John, D-LA), which your Board voted to support on April 8, 2003. The bill

Each Supervisor  
August 7, 2003  
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authorizes the appropriation of \$100 million in Federal Fiscal Year (FFY) 2003 and such sums as are necessary in the following four years. Each local agency would be limited to a maximum grant of \$100,000 a year. S. 1015 currently is awaiting the President's signature.

We will continue to keep you advised of any new developments.

DEJ:GK  
MAL:MT:ib

#### Attachment

c:     Executive Officer, Board of Supervisors  
        County Counsel  
        All Department Heads  
        Legislative Strategist

## United States Senate

WASHINGTON, DC 20510

July 31, 2003

Dear Conferees:

As supporters of legislation to prevent unnecessary reductions or adverse limits to the Medicaid Disproportionate Share Hospital (DSH) program, we ask that you provide as much relief as possible for our nation's safety net hospitals, which receive federal funding through this invaluable program.

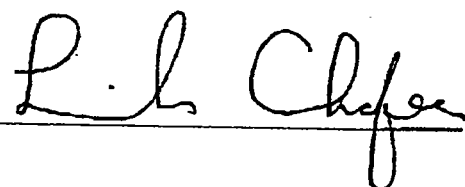
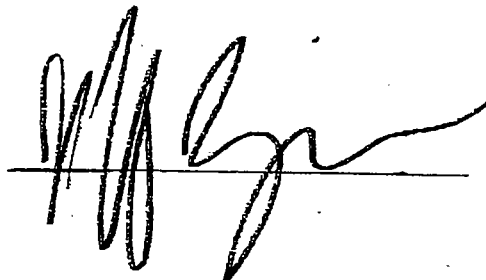
We have strong concerns about the expiration of the Medicaid DSH provisions included in the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA). These provisions provided crucial, but temporary, relief from the deep reductions and limits in state Medicaid allotments that were contained in the Balanced Budget Act of 1997 (BBA). With the BIPA provision, Congress recognized that the funding cuts to DSH-cliff states and severe limits imposed on extremely low-DSH states in the BBA could severely undermine health care safety net services throughout our nation. Although relief was provided in S. 3018 in the last Congress, unfortunately that bill did not become law, and the Medicaid DSH provisions from BIPA expired on October 1, 2002.

To prevent these reductions to our nation's safety net hospitals, we support the inclusion of two provisions in the conference report for S. 1/H.R. 1. These provisions address the adequacy of Medicaid DSH, one of our nation's major sources of care for the uninsured and under-insured. Specifically, we support the inclusion of the Medicaid DSH provision for DSH-cliff hospitals, as specified in H.R. 1. This provision in H.R. 1 includes partial restoration of federal DSH allotments with a one-time 20% increase in DSH allotments for FY 2004. Subsequent years are held harmless at the FY 2004 funding levels until Medicaid DSH allotments reach the levels they would have been prior to BBA. We also support a provision in S. 1 to provide relief for our nation's low-DSH hospitals. Specifically, the provision in S. 1 increases the federal DSH allotments for low-DSH states for FY 2004 and FY 2005.

It is imperative that these provisions, which enjoy strong bipartisan support, be included and retained in the Medicare prescription drug conference report this year. These payments help reimburse hospitals' costs of treating Medicaid patients, particularly those with complex medical needs such as those dually eligible for Medicare and Medicaid, and make it possible for communities to care for those who lack health coverage.

We appreciate your consideration of our views, and look forward to working with you to ensure adequate funding for the Medicaid DSH program.

Sincerely,

Handwritten signature of L. H. Chafee in black ink, written over a horizontal line.Handwritten signature of M. J. Blum in black ink, written over a horizontal line.

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Medicaid DSH letter to Conferees

Bob Cristiani

Mike Lipe

Mike Delli

Patty Murray

Jan F. Kany  
Hillary Rodham Clinton

Edward A. Kennedy  
C. H. Smith

Herb Kohl

Dan Rostenkowski

Lincoln Chafee

L. Benjamin Jones

Bill Nelson

John W. Warner

Gianni

Dick Durbin

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Medicaid DSH letter to Conferees

Ch. Sch

Int. Sch

Maria Carbone

Stephen D. Murray

John Edwards

Robert A. Melabchi

John Conway

Barbara Boxer

Russell D. Feingold

Mary Landrau

J. L. L. L.

John McCain

Jim Jeffords

Ricki Starnes

Tim Dunning

Steve Largent



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July 31, 2003

Medicaid DSH letter to Conferees

Patricia Leahy

George Allen

Blanche L. Lincoln

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